

REVISED
SURREBUTTAL TESTIMONY
OF
DAN LONG
ON BEHALF OF MT. CARMEL PUBLIC UTILITY CO.

JULY 26, 2013

1 **Q. Please state your name.**

2 A. Dan E. Long

3

4 **Q. Are you the same Dan E. Long that previously submitted testimony**
5 **in this proceeding?**

6 A. Yes.

7

8 **Q. What is the purpose of your Surrebuttal Testimony?**

9 A. I would like to reply to a portion of the rebuttal testimony submitted

10 Commission Staff witness Alicia Allen.

11

12 **RESPONSE TO TESTIMONY SUBMITTED BY ALICIA ALLEN**

13 **Q. What issue would you like to address?**

14 A. My testimony will address a rate design issue proposed by Staff witness

15 Alicia Allen in ICC Staff Ex. 4.0 related to how the increase in gas revenues is

16 ultimately granted.

17

18 **Q. What is the crux of this rate design issue?**

19 A. Staff Witness Allen suggests in her testimony that there is no cost basis

20 for the Company's proposal to increase only the therm charge in the two gas rate

21 classes in order to accommodate the increase in revenues eventually allowed by

22 the Commission.

23

24 **Q. What does Ms. Allen propose with respect to an allocation of the**
25 **revenue increase?**

26 A. Ms. Allen proposes to allocate the increase for each rate class equally on
27 a percentage basis to both the customer charge and the therm charge. She
28 further suggests that because the Company did not utilize an embedded cost of
29 service study in this proceeding that there is no cost basis for allocating the entire
30 increase in class revenue to the therm charge, and that an equal, across the
31 board increase is more equitable.

32

33 **Q. In your responsive testimony, did you state that there is no cost**
34 **basis for the Company's proposed revenue allocation?**

35 A. Yes. Ms. Allen and I agree that the Company's proposal is not based
36 upon system costs. There is no standard that requires that each and every
37 change in rates or rate design must be based entirely on cost. If there were,
38 there would be no reason to ever address or adopt in rate design the principles of
39 stability and gradualism that Ms. Allen discusses in her testimony.

40

41 **Q. Do you still agree with your assertion made at that time?**

42 A. Yes, if the cost basis is assumed to be a cost study based on the test year
43 in this case, since none was presented by the Company. However, other cost
44 information from the Company's last rate case may still be relevant given the
45 relative stability of the revenue proportions of the two gas rate classes.

46

47 **Q. Would you identify the other cost information available that may be**
48 **helpful in determining a reasonable allocation of revenue between the**
49 **customer charge and therm charge?**

50 A. In the Company's prior rate case, there was a gas cost of service study
51 utilized. For reference, I have attached a copy of that study as MCPU Exhibit
52 1.1SR.

53

54 **Q. Does the Company continue to support its original revenue**
55 **allocation proposal?**

56 A. Yes. As stated previously, the Company's proposal to not increase the
57 customer charge was not cost based. Instead, the Company, in proposing to
58 allocate the entire increase to the therm charge, considered factors such as:

59 1) customers desire to mitigate the effect of the rate increase,

60 2) competition from propane markets,

61 3) customers whose use of natural gas is seasonal, or essentially only for
62 heating.

63 These factors are discussed in detail in my Responsive Testimony and the
64 Company continues to stand by these as a reasonable rationale for it proposed
65 revenue allocation.

66 It has been my experience that increases or changes to specific rate components
67 do not track uniformly from case to case based upon only costs in those specific
68 cases. If this were true, there would be no need for the rate design process to

69 even consider factors such as gradualism and stability that are identified in Ms.
70 Allen's testimony.

71 **Q. Does this conclude your responsive testimony?**

72 A. Yes it does.